

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

10 REVOLUTION EYEWEAR,) Case No. CV 02-01087-VAP
INC., a California) (CWx)
11 corporation,)
12 Plaintiff,)
13 v.)
14 ASPEX EYEWEAR, INC., a)
Delaware corporation,)
15 and THIERRY IFERGAN,)
16 Defendants.)
17 AND RELATED)
COUNTERCLAIMS)

19 This case was tried to a jury on September 18, 19, 20
20 and 21, 2007, on Counterclaimant Contour Optik, Inc.'s
21 ("Contour") claim for damages for patent infringement
22 under 35 U.S.C. §§ 271, 284 against Counterclaim
23 Defendant Revolution Eyewear, Inc. ("Revolution"). The
24 jury returned a verdict awarding damages of \$4,319,530.70
25 to Contour on September 21, 2007.¹

¹Although Aspex Eyewear Inc., Manhattan Design Studio Inc., and Asahi Optical Co. Ltd. remain counterclaimants in this case, only Contour sought damages. (See Brosas Decl. Ex. 9, Tr. of Trial, Sept. 20, 2007 at 7-13.)
(continued...)

1 Revolution seeks to limit the damages award through
2 application of the doctrines of absolute intervening
3 rights and equitable intervening rights under 35 U.S.C. §
4 252.² In addition to its verdict of monetary damages for
5 patent infringement, the jury returned answers to twelve
6 special interrogatories submitted to it on issues
7 relating to the intervening rights defenses. After
8 discharging the jury, the Court inquired of the parties
9

10 ¹(...continued)

11 Accordingly, the jury awarded damages to Contour only.

12 ²The relevant portion of that section states:

13 A reissued patent shall not abridge or affect
14 the right of any person or that person's
15 successors in business who, prior to the grant
16 of a reissue, made, purchased, offered to sell,
17 or used within the United States, or imported
18 into the United States, anything patented by the
19 reissued patent, to continue the use of, to
offer to sell, or to sell to others to be used,
offered for sale, or sold, the specific thing so
made, purchased, offered for sale, used, or
imported unless the making, using, offering for
sale, or selling of such thing infringes a valid
claim of the reissued patent which was in the
original patent. The court before which such
matter is in question may provide for the
continued manufacture, use, offer for sale, or
sale of the thing made, purchased, offered for
sale, used, or imported as specified, or for the
manufacture, use, offer for sale, or sale in the
United States of which substantial preparation
was made before the grant of the reissue, and
the court may also provide for the continued
practice of any process patented by the reissue
that is practiced, or for the practice of which
substantial preparation was made, before the
grant of the reissue, to the extent and under
such terms as the court deems equitable for the
protection of investments made or business
commenced before the grant of the reissue.

28 35 U.S.C. § 252.

1 whether either side requested to introduce additional
2 evidence on the intervening rights defenses; neither side
3 sought that opportunity, and the Court then set a
4 deadline for the parties to file their written briefs on
5 the issue.

6

7 On October 5, 2007, Contour filed its "Memorandum of
8 Points and Authorities Regarding Revolution's Affirmative
9 Defense and Counterclaim for Intervening Rights"
10 ("Contour's Br."), accompanied by exhibits authenticated
11 by the Declaration of Josephine Brosas, and Revolution
12 filed its "Post-Trial Brief on Intervening Rights"
13 ("Revolution's Br."), accompanied by a Declaration of
14 counsel R. Joseph Trojan and a Declaration of Gary Zelman
15 (under seal).

16

17 Following the submission of the post-trial briefs,
18 Contour submitted written evidentiary objections to the
19 Trojan and Zelman Declarations, to which Revolution
20 responded and Contour in turn replied.

21

CONTOUR'S EVIDENTIARY OBJECTIONS

Evidence of the Jury's Deliberations and Verdict

24 On October 5, 2007, counsel for Revolution, R. Joseph
25 Trojan, submitted a Declaration setting out the substance
26 of post-trial discussions he had with the foreperson of
27 // // //

28

1 the jury.³ In particular, the Trojan Declaration
2 purports to recount the basis for the jury's verdict and
3 its findings on the special interrogatories submitted to
4 it.

5

6 Contour argues that the hearsay evidence regarding
7 the jury's deliberations and verdict is wholly
8 inadmissible, was obtained in an unethical manner, and
9 should be stricken. It further asks the Court for
10 various other remedies, including the opportunity to
11 depose opposing counsel, an order striking portions of
12 the post-trial brief submitted by Revolution, and an
13 order striking post-trial evidence submitted by that
14 party.

15

16 In Tanner v. United States, the Supreme Court
17 reviewed the "near-universal and firmly established
18 common-law rule in the United States [that] flatly

19

20 ³In part, Revolution attempts to justify the
21 submission of this inadmissible evidence by adducing
22 additional declarations by Gary Zelman, Revolution's
23 principal, and others, to the effect that Michael
24 Nicodema, counsel for Contour, was present for all or
25 part of the post-trial discussions with the jurors, and
26 failed to object to them. (See, e.g., Suppl. Decl. of
27 Gary Zelman, filed October 26, 2007.) Contour's counsel
28 disputes this, (see, e.g., Decl. of José Peña, filed
October 17, 2007), but in any event, Mr. Nicodema's
presence during any discussion between Mr. Trojan and
trial jurors would have no effect whatsoever on the
inadmissibility of the evidence under F. R. Evid. 606(b).
For this reason, among others, the Court is wholly
unpersuaded by Revolution's irrelevant submissions on
this subject.

1 prohibited the admission of juror testimony to impeach a
2 jury verdict," noting that exceptions to this rule were
3 rare and were generally limited to instances where the
4 jury allegedly had been affected by "extraneous
5 influences." Tanner v. United States, 483 U.S. 107, 117
6 (1987) (citations omitted). Holding evidence of juror
7 inebriation during the trial inadmissible to impeach a
8 jury's verdict in a criminal case, the Court relied in
9 part on the longstanding "substantial policy
10 considerations support[ing] the common-law rule against
11 the admission of jury testimony to impeach a verdict,"
12 quoting the following excerpt from its 1915 decision in
13 McDonald v. Pless:

14

15 [L]et it once be established that verdicts
16 solemnly made and publicly returned into court
17 can be attacked and set aside on the testimony
18 of those who took part in their publication and
19 all verdicts could be, and many would be,
20 followed by an inquiry in the hope of
21 discovering something which might invalidate the
22 finding. Jurors would be harassed and beset by
23 the defeated party in an effort to secure from
24 them evidence of facts which might establish
25 misconduct sufficient to set aside a verdict. If
26 evidence thus secured could be thus used, the
27 result would be to make what was intended to be
28

1 a private deliberation, the constant subject of
2 public investigation - to the destruction of all
3 frankness and freedom of discussion and
4 conference.

5 Tanner, 483 U.S. at 119 (quoting McDonald v. Pless, 238
6 U.S. 264, 267-68 (1915)).

7
8 There are examples too numerous to list of courts
9 within this Circuit applying this prohibition to bar
10 consideration of the type of evidence offered here. See
11 Hard v. Burlington Northern R. Co., 870 F.2d 1454, 1461
12 (9th Cir. 1989) (affirming trial court's refusal to
13 consider juror declarations regarding discussion during
14 jury deliberations in FELA case, even though evidence
15 related to truthfulness of jurors' answers during voir
16 dire); Morgan v. Woessner, 997 F.2d 1244, 1260 (9th Cir.
17 1993) (trial court affirmed after finding Rule 606(b) did
18 not permit consideration of evidence regarding jurors'
19 motives for plaintiffs' civil rights verdict); United
20 States v. Stacey, 475 F.2d 1119, 1121 (9th Cir. 1973)
21 (holding inadmissible post-verdict evidence that jurors
22 were confused about elements of criminal offense: "After
23 a verdict is returned a juror will not be heard to
24 impeach the verdict when his testimony concerns his
25 misunderstanding of the court's instructions."); United
26 States v. Span, 75 F.3d 1383, 1390 n.8 (1996) (evidence
27 that jurors "misunderstood the applicable law and would
28

1 have acquitted" defendant in criminal case if they had
2 been properly instructed is inadmissible under F.R. Evid.
3 606(b)'s bar on the use of a juror's "mental processes"
4 to inquire into the validity of a verdict).

5

6 Here, at least two prohibitions exist barring
7 consideration of the evidence from Revolution's counsel.
8 First, the evidence is rank hearsay. Not a single
9 declaration from a trial juror has been submitted, and
10 counsel's statement as to the alleged out-of-court
11 statements is hearsay. Moreover, even if a declaration
12 of a trial juror, signed under penalty of perjury, had
13 been filed, Federal Rule of Evidence 606(b) unambiguously
14 renders such evidence inadmissible; according to Mr.
15 Trojan, the statement would have consisted of a
16 description of the mental processes of the jurors in
17 reaching the jury's verdict, or the alleged
18 misunderstanding of the court's instructions. This is
19 precisely the type of evidence that Rule 606(b), and the
20 Supreme Court authorities cited above, proscribe.

21

22 Accordingly, the Court sustains Contour's objections
23 to the Trojan Declaration, and to the corresponding
24 sections of Revolution's Post-Trial Brief on Intervening
25 Rights, and has disregarded any arguments contained in
26 the Post-Trial Brief to the extent they rely on the
27 // // //

28

1 objectionable evidence, i.e., matters allegedly disclosed
2 by any trial juror in this case.

3

4 **Declaration of Gary Zelman**

5 Revolution submitted a Declaration of Gary Zelman,
6 its owner and President, along with its post-trial brief.
7 Zelman opines on his company's ability to satisfy the
8 damages verdict, and the Declaration attaches four
9 exhibits:

10 (1) Revolution's June 30, 2007 Balance Sheet;
11 (2) Revolution's Profit & Loss Statement for January
12 through June, 2007;
13 (3) Revolution's 2006 Balance Sheet;
14 (4) Revolution's Profit & Loss Statement for 2006.

15 The Declaration also contains a Price Breakdown between
16 various lines of IMF eyewear, and attaches a copy of a
17 declaration previously submitted in opposition to an
18 application for Temporary Restraining Order.

19

20 Contour objects to the Declaration and its
21 attachments on multiple grounds. The Court sustains the
22 objections for the following reasons.

23

24 Revolution never disclosed in discovery, nor in
25 pretrial disclosures, including even the joint Exhibit
26 List, the information regarding the price breakdown of
27 Revolution's eyewear lines and the financial documents

28

1 which it now attempts to introduce, post-trial, by
2 attaching them to this Declaration. The evidence is
3 inadmissible for this reason alone.

4

5 The evidence, including Mr. Zelman's opinion on
6 Revolution's ability to pay a judgment which includes the
7 money damages awarded by the jury in this case and the
8 financial documents attached as exhibits, is irrelevant
9 to the issues of absolute or equitable intervening
10 rights. Consideration of the factors set forth in Visto
11 Corp. v. Sproqit Technologies, Inc., 413 F. Supp. 2d
12 1073, 1090 (N.D. Cal. 2006), see below, and the
13 additional relevant bars to relief, e.g., unclean hands
14 or wilful infringement, id., would not render this
15 evidence material.

16

17 Finally, the parties did not seek, and were not
18 granted, leave to submit additional evidence with their
19 post-trial briefs, particularly evidence not relevant to
20 the issues of intervening rights, and which would not be
21 subject to cross-examination.

22

23 Accordingly, the Court sustains the objections to the
24 Zelman Declaration.

25 // // //

26 // // //

27 // // //

28

EFFECT OF THE JURY'S FINDINGS

Contour asserts that the Court should treat the jury's findings in its answers to the special interrogatories submitted to in the Special Verdict as "advisory," and as to certain of those findings, should disregard them. [Contour's Br. at 17-18.]

The Constitutional right to a jury trial extends only to "legal" as opposed to "equitable" claims. Beacon Theatres Inc. v. Westover, 359 U.S. 500, 510-11 (1959). When equitable claims are joined with legal claims and have factual questions in common, the legal claims must be tried first before a jury; otherwise, the right to a trial by jury could be impaired by collateral estoppel resulting from the court's determination of facts on the equitable claims. Calnetics Corp. v. Volkswagen of America, Inc., 532 F.2d 674, 690 (9th Cir. 1976).

Issues of fact going solely to an equitable issue should be decided by the Court, after consideration of any advisory findings of the jury. See, e.g., In re Metoprolol Succinate Patent Litigation, 494 F.3d 1011, 1020 (Fed. Cir. 2007). Federal Rule of Civil Procedure 39(c) provides for the use of advisory juries, as follows:

ADVISORY JURY AND TRIAL BY CONSENT.
In all actions not triable of right by a
jury the court upon motion or of its own
initiative may try any issue with an
advisory jury

1 In general, while a court may seek the jury's aid as
2 a fact-finding body in a non-jury trial, it may not
3 abrogate its responsibility as "chancellor in equity" to
4 apply the facts to the law so that equitable results may
5 prevail. 89 C.J.S. Trial § 1077 (citing Sanders v.
6 Stone, 255 Ga. 704 (1986)). Indeed, the Eighth Circuit
7 has found it reversible error when a trial court
8 submitted an equitable issue to the jury for a
9 conclusive, rather than advisory, determination. Bevan
10 v. Honeywell, Inc., 118 F.3d 603, 613 (8th Cir. 1997).
11 In Bevan, the district court submitted the calculation of
12 a front pay award to the jury over the defendant's
13 objection; the Eighth Circuit reversed, explaining,
14 "While the district court may, in its equitable
15 discretion, submit the issue to a jury in an advisory
16 capacity, the district court in this case improperly
17 submitted the issue to the jury for a conclusive
18 determination." Id.

19
20 Here, the jury made two findings relevant to
21 Revolution's equitable intervening rights defense: that
22 Revolution made 'substantial preparations' for
23 manufacture or sale of the infringing eyewear before the
24 reissue, and that Revolution had "existing orders or
25 contracts relating to the infringing eyewear before the
26 [reissue date]." (Special Verdict at 2-3.) Like the
27 front pay calculation in Bevan, these findings are
28 relevant solely to an equitable issue as to which the

1 Court must make an independent determination. Moreover,
2 these findings do not affect any legal, as opposed to
3 equitable, issues, and thus the Court may treat them as
4 advisory without disturbing the jury's determination of
5 facts on the legal issues. Cf. Mercantile & General
6 Reinsurance, 82 N.Y.2d 248, 253 (1993) (holding that the
7 judge could treat a jury's findings on equitable issues
8 as advisory where such treatment would not "contradict
9 any of the factual findings the jury made in deciding the
10 factual issues pertinent to the legal claim.")

11
12 Accordingly, the Court treats the jury's findings
13 embodied in its answers to the special interrogatories
14 submitted in the Special Verdict as advisory.

15
16 **ABSOLUTE INTERVENING RIGHTS**

17 Under 35 U.S.C. § 252 "an accused infringer [has] the
18 absolute right to use or sell a product that was made,
19 used, or purchased before the grant of the reissue patent
20 as long as this activity does not infringe a claim of the
21 reissue patent that was in the original patent." BIC
22 Leisure Prod. v. Windsurfing Int'l, 1 F.3d 1214, 1220-21
23 (Fed. Cir. 1993).

24
25 Here, Contour agrees that Revolution had 55,984 IMF
26 and IMFT frame sets in its inventory as of February 12,
27 2002, the date the '545 patent issued. (Contour's Br. at
28

1 23-24; Revolution's Br. at 5.) The parties dispute the
2 value of those frame sets, however.

3
4 At trial, Revolution's principal testified that the
5 price for each IMF frame set is "45 or 46 dollars," and
6 for each IMFT set is "between 66 and 67" dollars. (See
7 Contour's Br. at 24.) Contour argues that because
8 Revolution offered no evidence to establish the relative
9 numbers of (cheaper) IMF versus (dearer) IMFT frames in
10 its inventory on the relevant date, the Court should use
11 the lower figure of \$45.00, and then apply the jury's
12 reasonable royalty rate of 5%, for a total of \$125,964.
13 (Id.) Revolution contends it is entitled to \$136,812.50,
14 based on a calculation that assumes 7,666 of the frame
15 sets in inventory were higher-cost IMFT frame sets, but
16 fails to point to any evidence in the trial record to
17 support that number. (See Revolution's Br. at 6, Ex. 3.)

18
19 Where "actual damages can not be ascertained with
20 precision because the evidence available from the
21 infringer is inadequate," doubt is resolved against the
22 infringer. Sensonics, Inc. v. Aerosonic Corp., 81 F.3d
23 1566, 1572 (Fed. Cir. 1996). Revolution failed to
24 establish at trial with reasonable certainty the number
25 of frame sets in its inventory worth more than \$45.00.
26 Accordingly, the Court finds Revolution is entitled to a
27 reduction of the damages awarded against it under its

1 defense of absolute intervening rights, in the amount of
 2 \$125,964.⁴

3

4 **EQUITABLE INTERVENING RIGHTS**

5 "Under the equitable intervening rights [doctrine] of
 6 [35 U.S.C. § 252], a district court has discretion to
 7 grant broader rights for an accused infringer to: (1)
 8 continue the manufacture, use, offer for sale, and sale
 9 of additional articles made before the reissue; and (2)
 10 continue to manufacture, use, offer to sell, or sell
 11 articles for which substantial preparations for
 12 manufacture or use was made before the grant of the
 13 reissue." Shockley, 248 F.3d at 1361.

14

15 Courts consider the following factors in determining
 16 whether to grant equitable intervening rights:

17 (1) whether "substantial preparation" was
 18 made by the infringer before the reissue;
 19 (2) whether the infringer continued
 20 manufacturing before reissue on advice of
 21 its patent counsel; (3) whether there were
 22 existing orders or contracts; (4) whether
 23 non-infringing goods can be manufactured
 24 from the inventory used to manufacture the
 infringing product and the cost of
 conversion; (5) whether there is a long
 period of sales and operations before the
 patent reissued from which no damages can
 be assessed; and (6) whether the infringer
 has made profits sufficient to recoup its
 investment.

25

26 ⁴The issues of the number and price of infringing
 27 frame sets Revolution had on hand at the date the reissue
 patent issued could have been tried to the jury. See,
 e.g., Shockley v. Arcan, Inc., 248 F.3d 1349, 1353, 1357
 (Fed. Cir. 2001). The parties here, however, agreed to
 28 have these facts decided by the Court.

1 Visto Corp. v. Sproqit Technologies, Inc., 413 F. Supp.
2 2d 1073, 1090 (N.D. Cal. 2006).
3

4 Furthermore, in Shockley, the Federal Circuit denied
5 equitable intervening rights because the defendant had
6 unclean hands, i.e., it was a willful infringer.
7 Shockley, 248 F.3d at 1361. To establish willful
8 infringement, a patentee must show by clear and
9 convincing evidence that the infringer acted despite an
10 objectively high likelihood that its actions constituted
11 infringement of a valid patent. In re Seagate
12 Technology, LLC, 497 F.3d 1360, 1371 (Fed. Cir. 2007).
13

14 **Unclean Hands and Willful Infringement**

15 Contour has met its burden here: it has shown, by
16 clear and convincing evidence, that Revolution has
17 unclean hands. Revolution willfully infringed⁵ Contour's
18 patent when it continued to sell the infringing frames
19 after the Court granted Contour's motion for summary
20

21

22 ⁵ Revolution's claim that Judge Morrow's Order
23 of July 20, 2007 excluded any evidence relating to
24 willful infringement lacks merit. (See Revolution's
25 Br. at 10-13.) The July 20 Order only excluded
26 evidence offered in support of Revolution's
27 affirmative claim for willful infringement. It
28 explicitly allowed evidence of willful infringement
 to be admitted "for other relevant purposes."
 (Order of July 20, 2007 at 8.) Evidence of willful
 infringement is relevant to counter the defense of
 equitable intervening rights, and thus is
 admissible for that purpose.

1 judgment on the issue of infringement on April 30, 2007.⁶
2 Moreover, Revolution expressed its intent to continue
3 selling the infringing products, despite its knowledge of
4 their infringing nature, until its remaining inventory
5 was gone. (See Brosas Decl. Ex. 6, Tr. of Trial, Sept.
6 19, 2007, Morning Session at 94.) Finally, not only did
7 Revolution continue to sell its infringing products, but
8 it began to sell them at a steep discount, further
9 injuring the profit potential of the rightful patent
10 holder. (See id. at 88-100.)

11

12 **Substantial Preparations**

13 The jury found that Revolution proved "by a
14 preponderance of the evidence that it made 'substantial
15 preparations' for manufacture or sale of the infringing
16 eyewear before the February 12, 2002 issue date [of the
17 '545 patent]." (Special Verdict at 2.) The Court treats
18 this finding as advisory, and must make its own finding.
19 See supra.

20

21 Revolution bears the burden of proof on this issue
22 regarding its affirmative defense. At trial, however, it
23 provided scant evidence regarding the amount of its
24 investment in the infringing frames. At most, its
25 evidence on this issue consisted of testimony by Mr.
26 Zelman that the company grew in revenue and in number of

27 ⁶The Court need not decide whether Revolution
28 willfully infringed before April 30, 2007.

1 employees, and that it moved to a larger headquarters.
2 (Brosas Decl. Ex. 7, Tr. of Trial, Sept. 19, 2007,
3 Afternoon Session at 81-91.) Revolution adduced no
4 evidence, however, to prove how much, if any, of the
5 company's growth was due to investment in the infringing
6 product as opposed to non-investment related growth, or
7 investment in non-infringing products. The only evidence
8 that Revolution invested funds in the infringing products
9 in the expectation that they were non-infringing was Mr.
10 Zelman's bald statement that he expanded his business
11 "[t]remendously" after Revolution was found not to
12 infringe the '207 patent. (Id. at 81.) The Court finds
13 Mr. Zelman's vague testimony on this issue insufficient
14 to carry Revolution's burden; apart from the opaque and
15 conclusory nature of the evidence, it is entirely unclear
16 how much of that "tremendous" investment occurred before
17 June 12, 2002, the date of the '545 patent's issuance.
18

19 Finally, even if the Court were to accept the jury's
20 finding that Revolution made a "substantial" investment
21 in the infringing frames, the record at trial lacks any
22 evidence to support a finding by the Court of any
23 specific dollar amount of investment. For all these
24 reasons, the Court finds that Revolution has failed to
25 establish its equitable defense on the basis of
26 substantial investment.
27
28

Advice of Counsel

If, before the reissue patent was issued, the infringer received advice of counsel indicating that its accused product would not infringe the original patent, the Court may weigh such a factor in favor of granting equitable intervening rights. Seattle Box, 756 F.2d at 1580. In that case, the Federal Circuit stressed the equitable nature of this factor, explaining that in the original patent, the patentee had "dedicated to the public" the design used by the patentee, since it was within the scope of the original patent specification but not within the scope of the original claims. Id. It therefore would be a "gross injustice" to allow the patentee to obtain damages from one who had used a design the patentee had dedicated to the public, even if that design fell within the scope of the reissue patent. Id.

18 Here, there is evidence that, before the '545 reissue
19 patent issued, Revolution obtained advice of counsel
20 indicating that it did not infringe the original patent.
21 (Brosas Decl. Ex. 7, Tr. of Trial, Sept. 19, 2007,
22 Afternoon Session at 74, 79; Joint Exhibit List Ex. 55,
23 56.)⁷ Moreover, the same equitable considerations exist

(continued...)

1 here that existed in Seattle Box: Revolution used a
 2 design that was within the scope of the initial
 3 specification but not claimed in the initial patent, so
 4 it might be unjust to allow Contour to obtain damages
 5 from a design it had previously "dedicated to the
 6 public." This equitable consideration, however, may be
 7 outweighed by Revolution's "unclean hands."

8

9 **Existing Orders or Contracts**

10 The jury found that Revolution had "existing orders
 11 or contracts relating to the infringing eyewear before
 12 the February 12, 2002 issue date." (Special Verdict at
 13 2-3.) The Court treats this finding as advisory, and
 14 must make its own finding. See supra § 5.

15

16 Contour argues that Revolution presented no
 17 "detailed, corroborated evidence" of existing contracts
 18 at trial, and that "Mr. Zelman gave no testimony at trial
 19 on the issue of existing contracts." (Contour's Br. at
 20 18.)⁸

21

22

23 ⁷(...continued)
 24 counsel stated he had no objection to any question in the
 25 verdict form. (Brosas Decl. Ex. 9, Tr. of Trial, Sept.
 26 20, 2007 at 28.) Nevertheless, because the question does
 27 not address whether Revolution relied on advice of
 28 counsel *before* the reissue patent issued, the Court does
 not consider the jury's finding on Question 6.

⁸The testimony of Mr. Zelman regarding licensing
 agreements pertains to agreements entered after the
 reissue patent was issued. (Brosas Decl. Ex. 6, Tr. of
 Trial, Sept. 19, 2007, Morning Session at 62-61.)

1 At trial, Mrs. Zelman testified that she supervised
2 the performance and fulfillment of all such contracts
3 with third parties. (Brosas Decl. Ex. 9, Tr. of Trial,
4 Sept. 20, 2007 at 81-91.) When asked if Revolution had
5 entered into celebrity contracts prior to February 12,
6 2002, Mrs. Zelman testified "I don't think so. I don't
7 know." (Id. at 40.) She did not testify as to whether
8 or not other types of contracts were in existence before
9 2002 until cross-examination, when she was asked:

10 THE CONTRACTS YOU MENTIONED, THE SALES
11 REP CONTRACTS, BUYER CONTRACTS, CELEBRITY
12 CONTRACTS, ET CETERA, DO YOU HAVE THE
13 DATES OF THOSE CONTRACTS?

14 (Id. at 41.) Mrs. Zelman answered,

15 NO, I DON'T HAVE DATES.

16 (Id.)

17 On redirect, she was asked:

18 WHEN YOU SAY YOU DON'T HAVE THE DATES,
19 DOES THAT MEAN THAT WHEN YOU SAID THAT
20 YOU KNEW SOME OF THESE CONTRACTS WERE IN
21 EXISTENCE BEFORE 2002, THAT YOU'RE NOW
22 SAYING YOU DON'T KNOW THAT?

23 (Id. at 41-42.) She answered:

24 NO. I DON'T KNOW -- HIS QUESTION SOUNDED
25 LIKE IF I KNEW THE ACTUAL DATES WE TOOK
26 OUT THESE CONTRACTS. I DON'T KNOW THE
27 ACTUAL DATES WE ENTERED INTO THEM. I CAN
28 TELL YOU THAT WE'VE HAD CONTRACTS DONE
29 SINCE WE'VE BEEN HERE. I MEAN, WE'VE
30 ENTERED INTO CONTRACTS ALL OF THE TIME.
31 ***

32 IF YOU'RE SPECIFYING A PARTICULAR
33 CONTRACT THAT WE'VE ENTERED INTO, WITHOUT
34 PULLING THE CONTRACT TO KNOW WHEN WE WENT
35 INTO IT, I CAN'T DECIPHER DATES. I KNOW
36 THAT WE'VE HAD CONTRACTS SINCE WE'VE BEEN
37 HERE IN THE BUILDING THAT --

1 EVER SINCE THE COMPANY HAS PICKED UP
2 IN VOLUME, YOU KNOW, WE'VE ENTER INTO
3 CONTRACTS FOR DIFFERENT LENGTHS OF TIME.
4 DEPENDING ON SHIPPING, WE ENTER INTO ONE-
5 YEAR, TWO-YEAR CONTRACTS. SALES REPS,
6 THEY HAVE CONTRACTS; THAT'S ALWAYS BEEN
7 IN EXISTENCE SINCE WE STARTED THE
COMPANY. WE'VE ALWAYS HAD CONTRACTS WITH
REPS. SHIPPING, PRETTY MUCH SINCE WE'VE
STARTED, WE'VE ALWAYS HAD CONTRACTS WITH
SHIPPING.

8 SO UNLESS I'M TOLD WHICH CONTRACT, I
WOULDN'T KNOWEXACTLY THE DATE OF IT.

9
10 (Id. at 42.)

11 Contour argues that this testimony is "vague and
12 unspecific," lacks supporting documentation, and hence is
13 unreliable. (Contour's Br. 18.) The Court agrees.
14 Revolution's witnesses identified not a single specific
15 contract in their testimony, nor did it introduce into
16 evidence any written contract with a third party. When
17 there is doubt as to the existence of contracts, as there
18 is here, the question should be resolved in equity
19 against the party that controls documentation that could
20 prove or disprove the question. Cf. Sensonics, 81 F.3d
21 at 1572 (resolving questions of prices charged by an
infringer against the infringer). Here, if Revolution
22 entered into contracts prior to 2002 that carried over
23 into the post-reissue period, it could have produced them
24 at trial, at the very least.

25
26 Accordingly, in determining whether to grant
27 equitable intervening rights, the Court finds this factor
28

1 weighs against Revolution, because the scant evidence it
2 adduced of existing contracts was unconvincing.

3

4 **Other Factors**

5 The Court may consider other factors in assessing
6 equitable intervening rights, including "whether non-
7 infringing goods can be manufactured from the inventory
8 used to manufacture the infringing product and the cost
9 of conversion." Visto Corp., 413 F. Supp. 2d at 1090.
10 Revolution does not manufacture its own products but has
11 them manufactured by outside vendors. (Contour's Br. 19
12 (citing Brosas Decl. Ex. 7, Tr. of Trial, Sept. 19, 2007,
13 Afternoon Session at 7).) Contour argues that the Court
14 should weigh this factor against granting equitable
15 intervening rights, contending Revolution has shown it
16 can make a transition to selling non-infringing frames.
17 (Id. at 20.) Revolution has no investment in
18 manufacturing, however, so the Court does not consider
19 whether Revolution can recoup any manufacturing
20 investment as a factor for or against granting equitable
21 intervening rights in this case.

22

23 A "long period of sales and operations before the
24 patent reissued from which no damages can be assessed"
25 weighs against granting equitable intervening rights
26 because such a period may allow the infringer to recoup
27 its investment. Visto Corp., 413 F. Supp. 2d at 1090.
28 Here, Revolution had the benefit of four years of sales

1 for which no damages can be assessed. (See Contour's Br.
2 20.) Accordingly, to the extent that Revolution had any
3 pre-reissue investment in the infringing products, this
4 factor weighs against granting it the right to infringe
5 the reissue patent in order to recoup that investment.

6
7 The final factor is "whether the infringer has made
8 profits sufficient to recoup its investment." Visto
9 Corp., 413 F. Supp. 2d at 1090. Here, however,
10 Revolution provided no evidence at trial from which the
11 Court can determine with any precision how much it
12 invested in the infringing frames prior to the reissue or
13 how much profit it made from the sale of those frames.
14 (See Contour's Br. 21; see also supra (discussing the
15 substantial preparations factor)) Accordingly, this
16 factor weighs against granting equitable intervening
17 rights.

18
19 CONCLUSION

20 A court will grant equitable intervening rights only
21 when necessary to allow a party to recoup an investment
22 made in good faith reliance on the scope of an original
23 patent. See Loral Corp. v. The B.F. Goodrich Co., 14
24 USPQ2d 1081, 1116 (S.D. Ohio 1989); Gerhardt v. Kinnaird,
25 162 F. Supp. 858, 864 (E.D. Ky. 1958). Here, Revolution
26 has shown that it acted in good faith reliance on the
27 scope of the original patent, because it obtained advice
28 of counsel indicating that it did not infringe the

1 original patent. Revolution has failed, however, to show
2 that equitable intervening rights are necessary to recoup
3 its investment. It has produced no showing of a specific
4 amount of pre-reissue investment in the infringing
5 products, so the Court has no way of knowing what would
6 be required to recoup its investment. Additionally, it
7 has provided no evidence of its profits from which the
8 Court could determine how much additional recoupment is
9 necessary.

10
11 Moreover, "[one] who seeks equity must do equity."
12 Mfr.'s Fin. Co. v. McKey, 294 U.S. 442, 449 (1935).
13 Here, compelling evidence exists that Revolution seeks
14 equitable relief despite its own unclean hands: it
15 willfully infringed Contour's patents, and it sold the
16 infringing products at a steep discount even after it was
17 found to have infringed. Indeed, like the defendant in
18 Seattle Box, Revolution's "attitude was one of complete
19 contempt for both the original patent and the reissue."
20 Seattle Box, 756 F.2d at 1582-1583 (Nichols, J.,
21 concurring and dissenting). Accordingly, the Court finds
22 that Revolution has not established its affirmative
23 defense of equitable intervening rights.

24
25 The Court GRANTS Revolution absolute intervening
26 rights as to 55,984 IMF and IMFT frame sets, and
27 accordingly reduces the damages awarded by the jury's
28 verdict by \$125,964.

**FINDINGS OF FACT APPLICABLE TO INTERVENING RIGHTS
DEFENSES**

Absolute Intervening Rights

1. The United States Patent & Trademark Office issued U.S. Patent No. RE 37,545 ("the '545 patent") on February 12, 2002, to co-owners Aspex and Contour Optik, Inc.
2. On the date the '545 reissue patent issued, Revolution had 55,984 frame sets in its inventory. That inventory consisted of unknown respective amounts of IMF and IMFT frame sets.
3. Revolution sold its IMF frame sets for \$45.00 apiece.

Equitable Intervening Rights

5. On April 30, 2007, summary judgment was issued in this action in Contour's favor against Revolution, finding Revolution's IMF and IMFT frame sets infringed Claim 22 of the '545 reissue patent.
6. Revolution continued to sell the infringing frames after the Court issued its April 30, 2007 Order. Its owner expressly stated Revolution's intent to continue selling the infringing products, even after learning of the Court's April 30, 2007 Order.
7. In addition, after the Court entered summary judgment of infringement against Revolution,

1 Revolution began to sell its infringing products
2 at a steep discount, and widely advertised its
3 efforts to do so. These actions further injured
4 the profit potential of the rightful patent
5 holder, Contour.

6 8. Starting before February 12, 2002, but
7 continuing after that date, Revolution moved
8 into larger headquarters, expanded its
9 workforce, and saw its revenues increase. It is
10 unknown, however, whether these indicia of
11 growth reflect Revolution's investment in the
12 infringing products, or if so, to what extent,
13 and the value of such investment.

14 9. Before February 12, 2002, Revolution obtained
15 the advice of counsel that its products did not
16 infringe the original '207 patent. It is
17 unknown whether, as of the date of the issuance
18 of the '545 reissue patent, Revolution had
19 existing contracts for the purchase or sale of
20 the infringing eyewear, or any other contracts
21 relating to the infringing products.

22 10. Revolution does not manufacture any products;
23 all the products it sells are manufactured by
24 outside vendors.

25 11. Revolution sold the infringing eyewear products
26 for four years, i.e., between 1998 and 2002,
27 before the reissue patent was issued, for which
28 no damages can be assessed.

1 12. It is unknown whether Revolution made profits
2 sufficient to recoup any investment in selling
3 the infringing products, as it did not prove its
4 profits from the sales nor the investment it
5 made in the infringing products.

6

7 **CONCLUSIONS OF LAW AS TO INTERVENING RIGHTS DEFENSES**

8 1. This Court has jurisdiction over this action
9 pursuant to 28 U.S.C. § 1338.

10 2. 35 U.S.C. § 252 provides in relevant part: "A
11 reissued patent shall not abridge or affect the
12 right of any person or that person's successors
13 in business who, prior to the grant of a
14 reissue, made, purchased, offered to sell, or
15 used within the United States, or imported into
16 the United States, anything patented by the
17 reissued patent, to continue the use of, to
18 offer to sell, or to sell to others to be used,
19 offered for sale, or sold, the specific thing so
20 made, purchased, offered for sale, used, or
21 imported unless the making, using, offering for
22 sale, or selling of such thing infringes a valid
23 claim of the reissued patent which was in the
24 original patent. The court before which such
25 matter is in question may provide for the
26 continued manufacture, use, offer for sale, or
27 sale of the thing made, purchased, offered for
28 sale, used, or imported as specified, or for the

1 manufacture, use, offer for sale, or sale in the
2 United States of which substantial preparation
3 was made before the grant of the reissue, and
4 the court may also provide for the continued
5 practice of any process patented by the reissue
6 that is practiced, or for the practice of which
7 substantial preparation was made, before the
8 grant of the reissue, to the extent and under
9 such terms as the court deems equitable for the
10 protection of investments made or business
11 commenced before the grant of the reissue."

12 3. Under the first sentence of this section,
13 codifying the doctrine of absolute intervening
14 rights, "an accused infringer [has] the absolute
15 right to use or sell a product that was made,
16 used, or purchased before the grant of the
17 reissue patent as long as this activity does not
18 infringe a claim of the reissue patent that was
19 in the original patent." BIC Leisure Prod. v.
20 Windsurfing Int'l, 1 F.3d 1214, 1220-21 (Fed.
21 Cir. 1993).

22 4. Revolution proved by a preponderance of the
23 evidence that it is entitled to a \$125,964.00
24 reduction of the damages awarded against it by
25 the jury in this case, under the doctrine of
26 absolute intervening rights. This amount
27 consists of the reasonable royalty rate (5%) on
28 the sales price actually established (\$45.00) on

1 the amount of Revolution's inventory on the date
2 the '545 reissue patent issued. Where "actual
3 damages can not be ascertained with precision
4 because the evidence available from the
5 infringer is inadequate," doubt is resolved
6 against the infringer. Sensonics, Inc. v.
7 Aerosonic Corp., 81 F.3d 1566, 1572 (Fed. Cir.
8 1996). Here, there was evidence that
9 Revolution's inventory on that date included
10 both IMF and IMFT frames, and that the latter
11 eyewear sold for a higher price, but Revolution
12 failed to prove the relative amounts of the two
13 different types of products in its inventory.
14 Accordingly, the Court resolves the issue
15 against it, and fixes the value of the inventory
16 at the lower price established.

17 5. Section 352 of Title 35 also codifies the
18 doctrine of equitable intervening rights.
19 "Under the equitable intervening rights
20 [doctrine] of [35 U.S.C. § 252], a district
21 court has discretion to grant broader rights for
22 an accused infringer to: (1) continue the
23 manufacture, use, offer for sale, and sale of
24 additional articles made before the reissue; and
25 (2) continue to manufacture, use, offer to sell,
26 or sell articles for which substantial
27 preparations for manufacture or use was made
28

1 before the grant of the reissue." Shockley, 248
2 F.3d at 1361.

3 6. The following factors may be considered by the
4 Court in deciding whether to grant equitable
5 intervening rights:

6 (a) whether "substantial preparation" was made
7 by the infringer before the reissue;
8 (b) whether the infringer continued
9 manufacturing before reissue on advice of its
10 patent counsel;
11 (c) whether there were existing orders or
12 contracts;
13 (d) whether non-infringing goods can be
14 manufactured from the inventory used to
15 manufacture the infringing product and the cost
16 of conversion; (e) whether there is a long
17 period of sales and operations before the patent
18 reissued from which no damages can be assessed;
19 (f) whether the infringer has made profits
20 sufficient to recoup its investment; and
21 (g) whether the defendant acted with unclean
22 hands, i.e., it was a willful infringer.

23 Visto Corp. v. Sproqit Technologies, Inc., 413
24 F. Supp. 2d 1073, 1090 (N.D. Cal. 2006);
25 Shockley, 248 F.3d at 1361.

26 7. To establish willful infringement, a patentee
27 must show by clear and convincing evidence that
28 the infringer acted despite an objectively high

1 likelihood that its actions constituted
2 infringement of a valid patent. In re Seagate
3 Technology, LLC, 497 F.3d 1360, 1371 (Fed. Cir.
4 2007).

5 8. There is clear and convincing evidence here that
6 Revolution acted with "unclean hands" after it
7 learned of the Court's April 30, 2007, Order
8 Granting Summary Judgment in favor of Contour
9 and finding that Revolution's products infringed
10 Claim 22 of the '545 patent. It continued to
11 sell its infringing eyewear products despite its
12 knowledge of their infringing nature; its owner,
13 Gary Zelman, stated that the company intended to
14 continue to sell the infringing products after
15 the April 30, 2007, Order; and Revolution
16 embarked on efforts to sell the infringing
17 products at deeply discounted prices.

18 9. Revolution failed to prove that it had existing
19 contracts regarding the infringing eyewear
20 products at the time the '545 patent issued,
21 that it made "substantial preparation" or
22 investment before the '545 patent issued, and
23 whether or not it made profits sufficient to

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1 recoup any investment made. Thus, it has not
2 established that is entitled to the defense of
3 equitable intervening rights.

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5 Dated: January 3, 2008

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VIRGINIA A. PHILLIPS
United States District Judge